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Central Intelligence Agency



Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

MARCH 1984

## CENTRAL AMERICAN MONTHLY REPORT #8

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Overview

*Political and military trends were favorable throughout much of Central America in March. Regional attention focused on the 25 March Salvadoran presidential election, which generated a turnout nearly as large as the successful 1982 election. A runoff between the top finishers, Christian Democrat Napoleon Duarte and extreme rightist Roberto D'Aubuisson, will take place in late April or early May. We expect Duarte to prevail, but the campaign is likely to be characterized by intense political maneuvering and the possibility of increased violence by leftist and rightist extremists.*

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*The Salvadoran election process has again underscored the lack of popular support for the guerrilla cause, despite the problems with balloting. Furthermore, efforts by some guerrilla elements to disrupt the voting undermined public assurances to the contrary by insurgent leaders suggesting that insurgent unity remains elusive.*

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*Despite the efforts of some insurgents to derail the balloting, this election was characterized by significantly less violence than was the case during the 1982 Constituent Assembly election.*

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*This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 10 April 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA.*

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*The regional ramifications of the Salvadoran election are especially pronounced for the Sandinista regime in Nicaragua, which has stepped up preparations for its own presidential election this November. Recent changes in the electoral law, ostensibly designed to address the concerns of political opposition elements, indicate the Sandinistas will not risk any serious political challenge to their rule. Meanwhile, on the military front, anti-Sandinista insurgents disrupted merchant shipping in the country's two major ports during March and sustained ground operations in both the North and the South.*

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*In Honduras, the forced resignation of Armed Forces Commander General Alvarez initially raised concerns in the region about Honduran military unity, but President Suazo's assertion of civilian authority demonstrates the strength of the country's nascent democracy. In Guatemala, the Mejia regime continued to make progress toward constituent assembly elections scheduled for July.*

\* \* \*

## EL SALVADOR

### Military

Nearly continuous government military operations in March succeeded in keeping the guerrillas off balance and prevented them from launching coordinated actions to disrupt the election. The Army conducted sweep operations in several departments, and in mid-month launched a major thrust into a guerrilla stronghold in northern Morazan. Despite the guerrillas' claims that they controlled over 70 towns where voting would be denied, the US Embassy reports that balloting was prevented in 44 municipalities.

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Guerrilla activity was generally limited to sporadic attacks aimed at disrupting the Army's tactical momentum.

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Arms Flow

Nicaragua continues to provide arms and supplies to the Salvadoran guerrillas. [REDACTED]

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Castro has increased deliveries of weapons to the Salvadoran insurgents since late March. [REDACTED]

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Political

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As expected, none of the eight candidates won a majority of votes in the March presidential election. The stage is therefore set for a runoff in late April or early May between the top two finishers—Christian Democrat Napoleon Duarte, who garnered 43 percent of the vote, and extreme rightist Roberto D'Aubuisson, who received 29 percent. Third-place finisher Francisco Guerrero of the moderate rightist National Conciliation Party received 20 percent, thus propelling him into the role of the kingmaker. We believe that maneuvering for Guerrero's endorsement will be intense between Duarte and D'Aubuisson, with the latter having little chance of winning a runoff without it. [REDACTED]

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Insurgent attacks on election eve knocked out electricity in 80 percent of the country, which caused problems opening many polling places on time. In addition, the voting was marred by shortages of personnel, ballots, and ballot boxes as well as delays in processing voters because of errors in the new national register. Nevertheless, the US Embassy reports that more than 1.4 million people voted, compared with approximately 1.5 million in the Constituent Assembly election in 1982. [REDACTED]

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**NICARAGUA**Military

Attacks by anti-Sandinista insurgents escalated in March. Of particular significance, insurgent special teams carried out several sea-air raids and mining operations at the country's two main commercial ports, Corinto and Puerto Sandino. Since the first mines exploded in early March, several merchant ships have been damaged, including a Soviet tanker entering Puerto Sandino. [REDACTED]

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The Nicaraguan Democratic Force, which now claims to have some 7,400 armed troops inside Nicaragua, launched a major new offensive at the beginning of the month. The heaviest fighting was concentrated in Nueva Segovia and Jinotega Departments. Most of the combat has been in unpopulated areas or around main roads, but on 23 March, FDN troops briefly entered San Rafael del Norte, a town of some 10,000 in Jinotega Department. [redacted] the insurgents killed 40 defenders. [redacted]

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[redacted] guerrillas also sabotaged a dam at Salto Grande in central Zelaya Department and destroyed a bridge on the road between Puerto Cabezas and La Tronquera. The Miskito insurgents claim the Sandinistas have largely abandoned the corner of Nicaragua north of Puerto Cabezas except for their border posts, which they resupply by air. At month's end, [redacted] another exodus of some 1,000 Indians was underway to Honduras. [redacted]

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During March, Eden Pastora's forces clashed intermittently with Sandinista troops, mostly along the Costa Rican border. ARDE now claims a total of some 5,800 armed fighters, and is expanding to 7,000. [redacted]

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The continued fighting evidently is damaging the morale of Sandinista troops in the field, especially militiamen. [redacted]

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### Arms Buildup

The Sandinista military buildup continued unabated with the fourth Bulgarian arms delivery to El Bluff completed early in March. [redacted] the delivery included some 20 T54 or T55 medium tanks, about 20 PT-26 light amphibious tanks, 15 or more armored reconnaissance vehicles, at least three 152 mm howitzers, and possibly some 81 mm antitank guns. The PT-76s, new to the Sandinista inventory, will be useful in marshy coastal areas and during Nicaragua's rainy season, conditions that hamper the movement of the heavier medium tanks. Nicaragua now has three battalions of medium tanks—the other two were delivered in 1981 and 1982. [redacted]

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### Political

Preparations for the election scheduled for November dominated much of Nicaragua's political activity in March. Embassy reporting indicates that the Sandinistas made a number of changes in their draft electoral law proposal to assuage the objections of non-FSLN parties and to permit nominally free elections. Nevertheless, we believe the law heavily favors the Sandinistas: access to the media will be highly restricted, the financing provisions discourage an opposition coalition, and lowered age limits will add many thousands of votes to Sandinista totals. The opposition still has not been able to devise an effective strategy. It continues to threaten an election boycott, but it could lose its legal standing and some foreign and domestic support if it does. [REDACTED]

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On the diplomatic front, Sandinista activity increased significantly in response to the mining incidents and the regime's growing economic difficulties. Although junta leader Ramirez visited Iran and Libya and Directorate member Ruiz traveled to Moscow seeking economic aid, public announcements suggested they gained little. Similarly, junta Coordinator Daniel Ortega failed to obtain endorsement for his call for an emergency meeting of the Contadora countries from Mexican President de la Madrid. At month's end, Defense Minister Humberto Ortega left for the USSR and North Korea in search of military aid. [REDACTED]

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The Sandinistas announced that 1,500 Cuban teachers returned to Nicaragua recently for the start of the school year—a reduction of 500 from their previous number. Press photos indicate that all are young males, and Cuban Vice President Rodriguez publicly claimed that all Cuban civilian advisers have military training. Sandinista statements have suggested that the Cubans will be replaced late this year when some 1,500 Nicaraguan teachers complete a course of study in Cuba. [REDACTED]

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### Economic

March was a dismal month for the economy. Several merchant ships that cancelled their arrivals because of mining were to load coffee and cotton to earn Nicaragua badly needed cash. Nicaragua's foreign currency holdings already were so low by early March that foreign banks were requiring Managua to put up gold as collateral for ordinary trade financing—a good indicator that the Sandinistas have virtually exhausted their cash. Moreover, the US Embassy reports that the nearly-completed coffee and cotton harvests—which provided about half Nicaragua's \$400 million in hard currency

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[redacted]

earnings last year—were unusually bad. Cotton growers claim that workers are reluctant to appear at the farms because they want to avoid military recruiters, while bad weather proved the main blow to the coffee crop. The decline in these two crops alone will slice some \$70 million off this year's export earnings. [redacted]

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Mexico has begun to curtail its oil support. In the first quarter of 1984, Nicaragua was able to import just half a million barrels of Mexican oil—down from 1.4 million barrels in the preceding three months. Stiffened Mexican demands for payment and the Sandinistas' financial bind were largely responsible. Nonetheless, we estimate that the Sandinistas had enough oil in hand at the end of March to last two to three months at normal consumption rates, and another Soviet tanker will arrive in mid-April. [redacted]

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## GUATEMALA

### Political

The tense atmosphere caused by coup rumors and plotting abated in March and local attention focused increasingly on the constituent assembly elections scheduled for July. We believe the OAS decision to send observers will add credibility to the election. Chief of State Mejia is taking steps to ensure a fraud-free election that will be perceived as legitimate both at home and abroad. He has ordered, for example, that local mayors—traditional mechanisms of election tampering—be removed from the municipal election committees overseeing the voting. Embassy reporting indicates that Mejia also says the Army will not transport the ballots on election day as originally planned. [redacted]

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We judge that this election poses little threat to the military's short-term control over the government and imposes few costs on the armed forces institution. The constituent assembly will have no legislative powers and its only function will be to write a new constitution. Moreover, if current trends persist, the assembly is likely to be dominated by centrist and rightist parties acceptable to the Mejia government. Thus we see no reason at this time for the military to intervene in the process. In our opinion, Mejia wants an honest election in order to help restore legitimacy to the Guatemalan government. Embassy reports indicate that many officers also believe that the military's overt control of the government has corrupted the armed forces as an institution and that it should get out of politics. [redacted]

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Nevertheless, the legitimacy of the election is likely to be criticized if, as we expect, the electoral field is largely restricted to rightist and centrist parties. Although a US Embassy source says that several leftist parties have formed an alliance, none of the left-of-center parties has as yet qualified to be placed on the ballot. Mejia recently amended the electoral law to facilitate the registration of more parties. The leftist parties' lack of financial support and organizational weaknesses, however, suggest they will have difficulty competing effectively. The election's credibility will also be damaged if Guatemala's Indians—about half the country's population—fail to participate. According to the US Embassy, there is a lack of interest in the election in

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the countryside and none of the parties has developed strong organizations in rural areas. [REDACTED]

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### Military

The Army's recent successes against guerrilla safehouses in Guatemala City have weakened the urban fronts of several insurgent groups. [REDACTED] the capture of two senior leaders of the Communist Party has prompted the party to move its headquarters to Mexico City. The military also has forced one of the largest guerrilla organizations to withdraw its urban units to the countryside, and [REDACTED] the Army believes it has destroyed the urban front of a second major insurgent group. [REDACTED] raids conducted during the past three months also have decimated the leadership of three other small terrorist groups. Moreover, [REDACTED] the government has seized substantial quantities of explosives and weapons, as well as a rebel radio station. [REDACTED]

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The failure of the insurgents to carry out an offensive planned for March reinforces our belief that military pressure is keeping them on the defensive and will preclude sustained or widespread guerrilla attacks anytime soon. Two recent ambushes of Army units in rural areas that killed some 20 troops, however, illustrate that the guerrillas remain capable of inflicting substantial losses on Army units in engagements of their choosing. [REDACTED]

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Mejia is holding to his commitment to strengthen the military. [REDACTED] he has raised the troop strength of the Army by some 5,000 in recent months. [REDACTED] is also expanding the civilian defense forces, which currently may number close to 800,000. [REDACTED]

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## HONDURAS

### Political

The forced resignation of Armed Forces Commander General Alvarez on 31 March demonstrates the growing strength of Honduras' civilian government and is unlikely to affect Tegucigalpa's support for US policy in the region. Alvarez' dismissal apparently was prompted largely by growing signs that he had political ambitions that could challenge President Suazo's authority. Both Suazo and new Armed Forces Commander General Lopez told the US Ambassador that Honduras would continue its strong support for US policy toward Nicaragua and El Salvador and its cooperation in joint exercises.

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Moreover, Lopez said that the government would endeavor to increase its backing for anti-Sandinista forces, [redacted] We believe the well-respected Lopez will be welcome by most of the officer corps, which took exception to Alvarez' autocratic style. [redacted]

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### Military

The activities of anti-Sandinista insurgents have raised military tensions with Nicaragua considerably. The mining of Nicaraguan ports and stepped up insurgent attacks in the north prompted Managua to issue a series of diplomatic protests alleging Honduran complicity. On the other hand, [redacted] Honduras has been increasingly concerned by contacts between local radicals and Nicaraguan Embassy officials in Tegucigalpa. According to press reports, the Suazo government expelled a senior Nicaraguan diplomat for interfering in Honduras' internal affairs. Against this backdrop of increased tension, the US Embassy cites claims by Honduran peasants that they were recently harassed by Sandinista military elements in the border area. [redacted]

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Relations between Honduras and El Salvador—which were tense earlier this year—improved as military leaders from both countries discussed possible combined operations against Salvadoran guerrillas along the common border. Tegucigalpa appears concerned over the recent discovery of a Salvadoran rebel safehouse in Honduran territory, as well as bombings by local terrorists designed to express solidarity with the Salvadoran insurgents. The US Defense Attache reports that Honduran authorities recently gave permission for Salvadoran troops to stage out of the airfield at Nueva Ocotepeque. Nevertheless, conflicting border claims of both countries continue to hamper broader cooperation. [redacted] a joint operation in one of the disputed areas was recently postponed after San Salvador rejected Tegucigalpa's request for a signed document authorizing entry into Salvadoran territory. [redacted]

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## **COSTA RICA**

### Political

Costa Rica's relations with Nicaragua deteriorated in March following attacks by anti-Sandinista insurgents on Nicaraguan towns along the border. According to Embassy reporting, Nicaragua's claim that the attacks were launched from Costa Rica has prompted Costa Rican public security officials to step up efforts to curtail insurgent activity. President Monge remains sensitive to the strong local reaction to a border incursion and attack by Sandinista troops on Costa Rican security forces in late February. To counter growing domestic criticism that he has lost control over the country's northern region, Monge, according to the Embassy, plans to renew requests for US assistance in civic action projects for the northwest. Costa Rica's concern over jeopardizing its neutrality and provoking Nicaragua previously forced Monge to suspend

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the projects, which would involve US military engineers. [REDACTED]

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Adding to pressures on the government was a threatened combined strike by the Communist-controlled Public Sector Employees Union and the Teachers' Association, Costa Rica's largest labor group. According to the Embassy, the Communists are looking for excuses to agitate and probably will organize a walkout of public sector employees soon if Monge reneges on his pledge to increase salaries. Press and Embassy reports also show that local Communists were behind a recent land invasion by peasant squatters in southern Costa Rica which resulted in a violent confrontation with police. Although moderate Communist elements recaptured control of the party from the radicals at a special congress in early March, we believe additional labor agitation is likely as the two factions compete for followers and for resources from abroad. [REDACTED]

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### Economic

Mexico has lent Costa Rica the \$50 million that San Jose claimed was necessary to bridge its foreign exchange gap until US and IMF disbursements begin later this spring, according to the US Embassy. Mexico has insisted that its support not be publicized to avoid problems with its own creditors. Central Bank President Castillo told the Embassy that by the time the Mexican loan was made, one half of Costa Rica's gold reserves had been sold. Costa Rica also secured a \$5 million loan from an unidentified financial institution in Panama, [REDACTED] We estimate this money will be enough to allow San Jose to honor its foreign payment obligations for the next few months. The Monge government has reached preliminary agreement with the IMF on a standby loan for 1984 that requires exchange rate "flexibility"—in practical terms, a devaluation. We believe San Jose's adherence to this condition will be crucial for averting a new foreign exchange crisis this summer, but it will be strongly opposed by some Communist-controlled public sector unions worried about inflation and also eager to foment labor disruptions if wages are frozen. [REDACTED]

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## **PANAMA**

### Political

The campaign for the presidential election scheduled for 6 May began in earnest in March with both the government and opposition camps claiming that their candidate is leading. Recent ruling party polls indicate that it likely will be a close race, but we believe progovernment nominee Nicolas Barletta currently has the edge over Arnulfo Arias, a long time foe of the military. [REDACTED]

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We judge that any effort to undermine the military's influence in Panamanian decisionmaking would precipitate a coup against the thrice-elected, thrice-deposed Arias. At this point, however, Noriega is unlikely to adopt drastic measures against Arias or interrupt the electoral process so long as the race appears close. [REDACTED]

[REDACTED] Barletta is increasing his public recognition and is now slightly ahead of Arias. [REDACTED] Noriega believes that Arias' support has peaked, that the five other opposition candidates will siphon votes away from him, and that the government's civic action programs will enable Barletta to carry the rural vote. Noriega apparently is using the extensive resources of the military to enhance Barletta's chances. [REDACTED] the military already has provided some \$2 million to the progovernment National Democratic Union and that another \$3 million probably will be distributed soon. [REDACTED]

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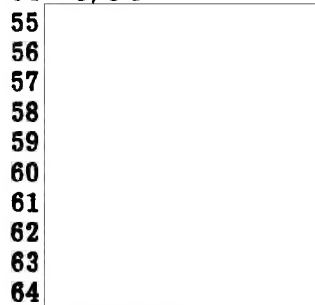
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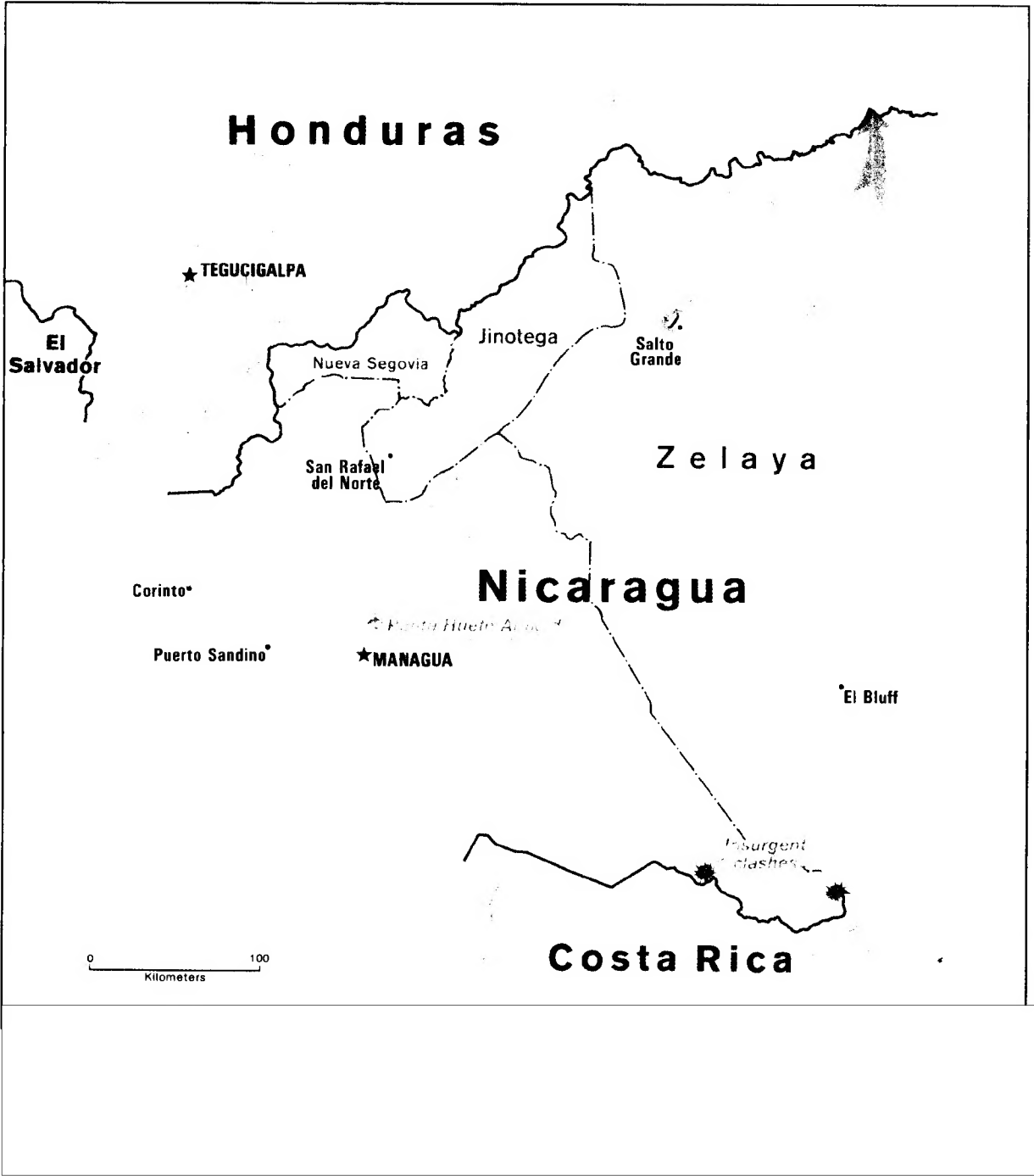
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